

# SENATE BILL REPORT

## SB 5438

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As of February 15, 1999

**Title:** An act relating to extending the prohibition on taxes or fees specific to internet service providers.

**Brief Description:** Continuing a moratorium that prohibits a city or town from imposing a specific fee or tax on an internet service provider.

**Sponsors:** Senators Finkbeiner, Benton, Rossi and Hochstatter.

**Brief History:**

**Committee Activity:** Energy, Technology & Telecommunications: 2/16/99.

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### SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

**Staff:** Karen Kirkpatrick (786-7403)

**Background:** The prohibition on a city or town imposing any new taxes or fees specific to Internet service providers (ISPs) expires on July 1, 1999, unless extended by the Legislature.

The law passed in 1997 clarifies that the provision of Internet services does not constitute "network telephone service" for the purpose of assessing a utility tax. Under the law, cities and towns may not impose any new taxes or fees specific to ISPs, but may tax Internet service providers under generally applicable business taxes at a rate not to exceed the rate applied to a general service classification.

The Internet Tax Freedom Act passed by Congress in 1998 prohibits any state or local government from imposing taxes on Internet access or multiple or discriminatory taxes on electronic commerce for three years, until October 21, 2001. The act establishes an Advisory Commission on Electronic Commerce to study: barriers to electronic commerce; collection and administration of taxes on electronic commerce; impacts of the Internet on the revenue base; model state legislation; effects of taxation on retail businesses and on state and local governments; and ways to simplify federal, state and local taxes imposed on the provision of telecommunications services.

**Summary of Bill:** The prohibition on a city or town imposing any new taxes or fees specific to Internet service providers is extended until July 1, 2002.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.